



WEINLANDER FITZHUGH

CERTIFIED PUBLIC ACCOUNTANTS
& CONSULTANTS

ROBERT E. LIST, CPA
STEWART J. REID, CPA
MICHAEL L. HANISKO, CPA
DAVID D. QUIMBY, CPA
KATHLYN M. ENGELHARDT, CPA
RENA E. M. CLEVENGER, CPA
AMY L. RODRIGUEZ, CPA
SCOTT A. NIETZKE, CPA

WALTER G. WEINLANDER, CPA
ROY A. SCHAIRER, CPA
JAMES L. WHALEY, CPA
JEROME L. YANTZ, CPA
PHILIP T. SOUTHGATE, CPA
ROBERT J. DUYCK, CPA

CITY OF EVART –
DOWNTOWN DEVELOPMENT AUTHORITY
EVART, MICHIGAN

FINANCIAL STATEMENTS
JUNE 30, 2005

1600 CENTER AVENUE
POST OFFICE BOX 775
BAY CITY, MI 48707-0775
989-893-5577
800-624-2400
FAX 989-895-5842
www.wf-cpas.com
wf@wf-cpas.com

OFFICES: BAY CITY, CLARE
GLADWIN AND WEST BRANCH

RSM McGladrey Network
An Independently Owned Member

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name CITY OF EVART - DOWNTOWN DEV. AUTH.	County OSCEOLA
Audit Date 6/30/05	Opinion Date 12/7/05	Date Accountant Report Submitted to State: December 28, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Accounting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes and in the report of comments and recommendations.

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) WEINLANDER FITZHUGH			
Street Address 601 BEECH STREET	City CLARE	State MI	ZIP 48617
Accountant Signature <i>Shannon A. Wickham CPA</i>		Date 12-22-05	

TABLE OF
CONTENTS

	<u>PAGE</u>
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3a-3j
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	4
Statement of Activities	5
Fund Financial Statements	
Governmental Funds	
Balance Sheet	6
Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Assets	7
Statement of Revenues, Expenditures and Changes in Fund Balance	8
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	9
Notes to Financial Statements	10-18
Required Supplemental Information	
Budgetary Comparison Schedule – General Fund	19
Other Supplemental Information	
Combining Balance Sheet – Nonmajor Governmental Funds	20
Combining Statement of Revenues, Expenditures and Changes In Fund Balance – Nonmajor Governmental Funds	21
Schedule of Bonded Indebtedness	22-23



WEINLANDER FITZHUGH

CERTIFIED PUBLIC ACCOUNTANTS
& CONSULTANTS

ROBERT E. LIST, CPA
STEWART J. REID, CPA
MICHAEL L. HANISKO, CPA
DAVID D. QUIMBY, CPA
KATHLYN M. ENGELHARDT, CPA
RENA E. M. CLEVELAND, CPA
AMY L. RODRIGUEZ, CPA
SCOTT A. NIETZKE, CPA

WALTER G. WEINLANDER, CPA
ROY A. SCHAIERER, CPA
JAMES L. WHALEY, CPA
JEROME L. YANTZ, CPA
PHILIP T. SOUTHGATE, CPA
ROBERT J. DUYCK, CPA

INDEPENDENT AUDITORS' REPORT

December 7, 2005

To the Board of Directors
City of Ewart - Downtown Development Authority
Ewart, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City of Ewart - Downtown Development Authority, Ewart, Michigan, a component unit of the City of Ewart, Michigan as of and for the year ended June 30, 2005, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Ewart - Downtown Development Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the City of Ewart - Downtown Development Authority as of June 30, 2005, and the respective changes in financial position thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

1600 CENTER AVENUE
POST OFFICE BOX 775
BAY CITY, MI 48707-0775
989-893-5577
800-624-2400
FAX 989-895-5842
www.wf-cpas.com
wf@wf-cpas.com

OFFICES: BAY CITY, CLARE
GLADWIN AND WEST BRANCH

RSM McGladrey Network

An Independently Owned Member



WEINLANDER FITZHUGH

To the Board of Directors
City of Evert - Downtown Development Authority
December 7, 2005
Page 2

Required Supplemental Information

The management's discussion and analysis and budgetary comparison listed in the table of contents are not a required part of the basic financial statements but is supplemental information required by U.S. generally accepted accounting principles and the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Other Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Evert - Downtown Development Authority's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Weinlander Fitzhugh

CITY OF EVART – DOWNTOWN DEVELOPMENT AUTHORITY

Management's Discussion and Analysis For the Year Ended June 30, 2005

Our discussion and analysis of the City of Evart - Downtown Development Authority's (Authority) financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2005.

Financial Highlights

The Authority's net assets increased by \$2,809. Program revenues were \$17,841 or 14% of total revenues, and general revenues were \$109,527 or 86%.

Using this Annual Financial Report

This annual financial report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand City of Evart - Downtown Development Authority financially as a whole. The *Government-wide Financial Statements* provide information about the activities of the whole Authority, presenting both an aggregate view of the Authority's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For Governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the Authority's operations in more detail than the Government-wide financial statements by providing information about the Authority's most significant funds – the General and the 2003 Special Assessment Debt Funds, with all other funds presented in one column as nonmajor funds. Individual fund information for non-major funds is found in statements in a later section of this report. The following summarizes the presentation included in this annual financial report.

Management's Discussion and Analysis (MD&A) (Required Supplemental Information)

Basic Financial Statements

- Government-wide Financial Statements
- Fund Financial Statements
- Notes to Financial Statements

Budgetary Information for the General Fund (Required Supplemental Information)

Other Supplemental Information

CITY OF EVART – DOWNTOWN DEVELOPMENT AUTHORITY
Management's Discussion and Analysis
For the Year Ended June 30, 2005

Reporting the Authority as a Whole

The Statement of Net Assets and Statement of Activities

One of the most important questions asked about the Authority's finances is, "Is the Authority better or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Authority as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the Authority's net assets as a way to measure the Authority's financial position. The change in net assets provides the reader a tool to assist in determining whether the Authority's financial health is improving or deteriorating. The reader will need to consider other non-financial factors such as property tax base and facility conditions in arriving at their conclusion regarding the overall health of Authority.

Reporting the Authority's Most Significant Funds

Fund Financial Statements

The Authority's fund financial statements provide detail information about the most significant funds – not the Authority as a whole. Some funds are required to be established by State law. Other funds are established to help it control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants, and other sources of revenue.

Governmental Funds

All of the Authority's activities are reported in Governmental funds, which focus on how money flows into and out of those funds and the balances remaining at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detail short-term view of the Authority's general operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources available to spend in the near future to finance the Authority's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

CITY OF EVART – DOWNTOWN DEVELOPMENT AUTHORITY
Management's Discussion and Analysis
For the Year Ended June 30, 2005

Government-wide Financial Analysis

The statement of net assets provides the perspective of the Authority as a whole. Exhibit A provides a summary of the Authority's net assets as of June 30, 2005 and 2004:

Exhibit A	Governmental Activities	
	2005	2004
Assets		
Current and other assets	\$ 206,854	\$ 337,000
Capital assets - net of accumulated depreciation	58,473	60,864
Total assets	265,327	397,864
Liabilities		
Current liabilities	185,699	201,277
Long-term liabilities	250,000	335,000
Total liabilities	435,699	536,277
Net Assets		
Invested in property and equipment	58,473	60,864
Restricted	36,261	38,435
Unrestricted	(265,106)	(237,712)
Total net assets	\$ (170,372)	\$ (138,413)

CITY OF EVART – DOWNTOWN DEVELOPMENT AUTHORITY

Management's Discussion and Analysis

For the Year Ended June 30, 2005

This analysis focuses on net assets. The Authority's net assets were \$(170,372) at June 30, 2005. Capital assets totaling \$58,473 compares the original costs, less depreciation of the Authority's capital assets.

The \$(265,106) in unrestricted net assets of governmental type activities represents the *accumulated* results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the Authority as a whole are reported in the statement of activities, as summarized in Exhibit B below, which shows the changes in net assets for the years ended June 30, 2005 and 2004.

Exhibit B		Governmental Activities	
		2005	2004
Revenue			
Program revenue:			
Grants and contributions		\$ 17,841	\$ 256,106
General revenue:			
Taxes		107,122	178,556
Interest		2,396	1,388
Other		9	10,966
Total revenue		<u>127,368</u>	<u>447,016</u>
Function/Program Expenses			
General government		29,842	47,146
Community promotion		81,109	59,858
Community improvements		1,631	230,614
Interest on long-term debt		<u>11,977</u>	<u>27,986</u>
Total expenses		<u>124,559</u>	<u>365,604</u>
Increase in Net Assets		<u>\$ 2,809</u>	<u>\$ 81,412</u>

CITY OF EVART – DOWNTOWN DEVELOPMENT AUTHORITY

Management's Discussion and Analysis For the Year Ended June 30, 2005

As reported in the statement of activities, the cost of all of our *Governmental type* activities this year was \$124,559. Certain activities were partially funded from organizations that subsidized certain programs with grants and contributions. We paid for the remaining "public benefit" portion of our governmental activities with \$107,122 in taxes, \$2,405 in interest and miscellaneous revenues.

The Authority experienced an increase in net assets of \$2,809. The change was not significant. The increase in net assets differs from the change in fund balance and a reconciliation appears in the financial statements.

The Authority's Funds

The Authority uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the Authority is being accountable for the resources taxpayers and others provide to it and may provide more insight into the Authority's overall financial health.

The Authority's governmental funds reported a combined fund balance of \$59,614, which is below last year's restated total of \$93,426. The schedule below indicates the fund balance and the total change in fund balances as of June 30, 2005 and 2004.

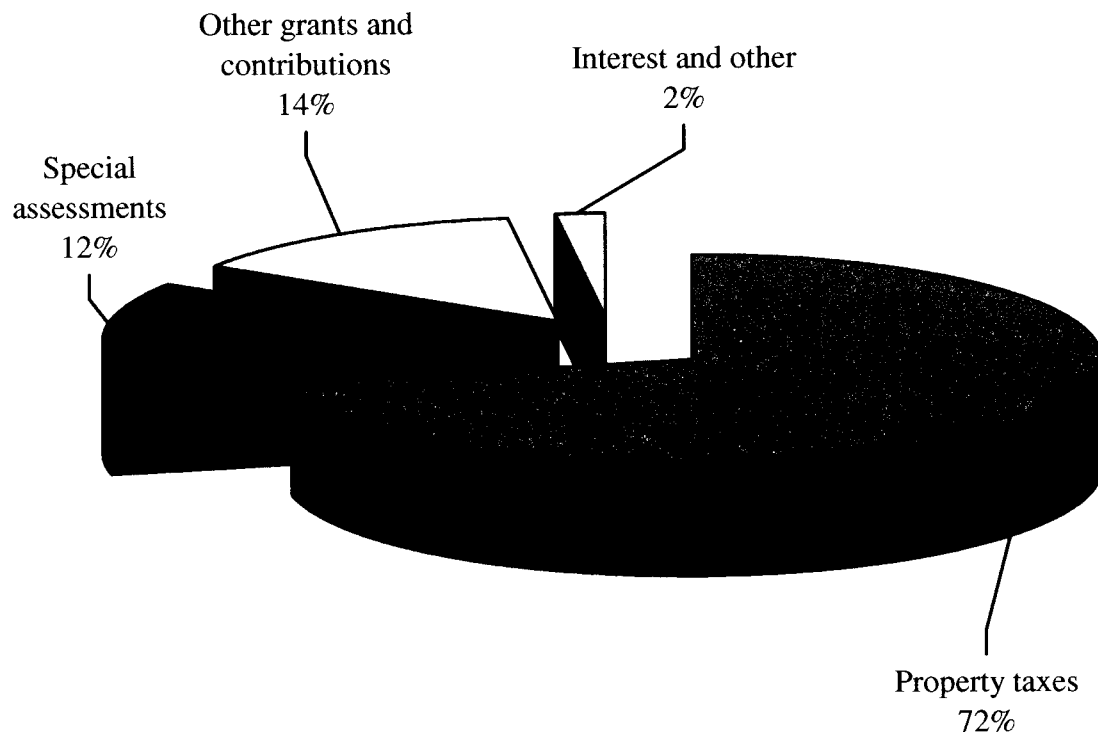
	Fund Balance	Restated Fund Balance	
	June 30, 2005	June 30, 2004	Increase
General	\$ 23,353	\$ 54,991	\$ (31,638)
Debt service	36,261	38,435	(2,174)
Total	<u>\$ 59,614</u>	<u>\$ 93,426</u>	<u>\$ (33,812)</u>

- Our General Fund decreased \$31,638. The decrease is due to an increase in community promotion expenses.
- Our Debt Service Funds decreased \$2,174. The decrease is due to payment of scheduled debt requirements.

CITY OF EVART – DOWNTOWN DEVELOPMENT AUTHORITY
Management's Discussion and Analysis
For the Year Ended June 30, 2005

As the graph below illustrates, the largest portion of the Authority's revenue is derived from property tax revenue.

Sources of Revenues

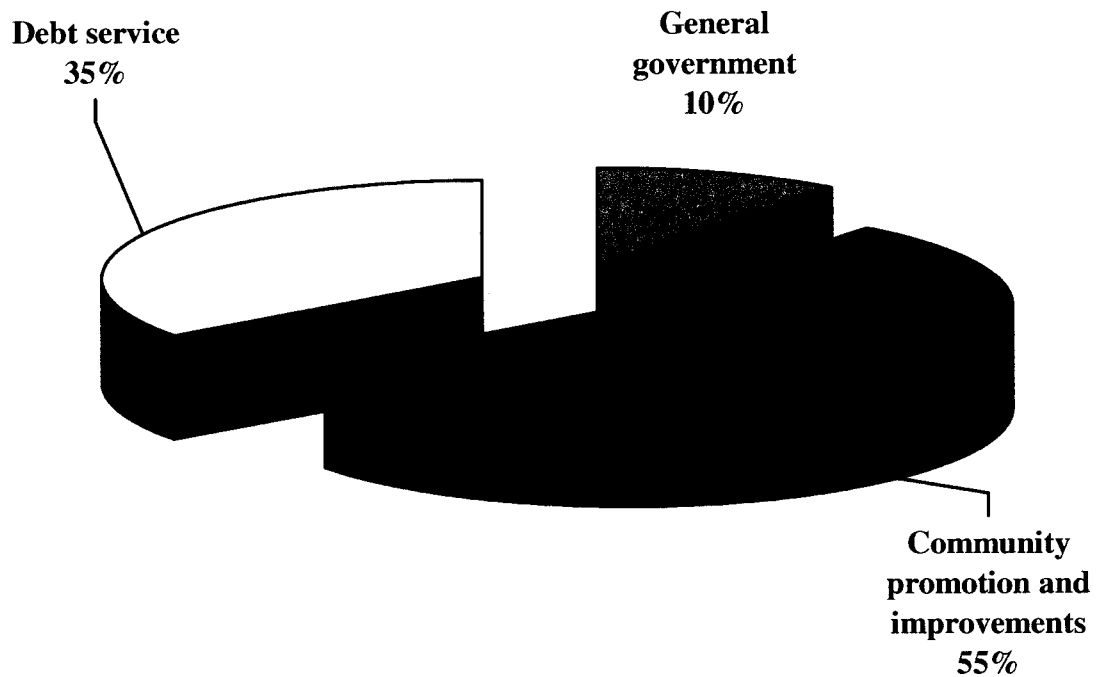


CITY OF EVART – DOWNTOWN DEVELOPMENT AUTHORITY

Management's Discussion and Analysis
For the Year Ended June 30, 2005

The graph below illustrates, 55% of the Authority's resources are spent on community promotion and improvements. Another 35% is spent on the payment of debt, while 10% is spent for general government and expenses such as administrative costs, including occupancy costs.

Expenditures



CITY OF EVART – DOWNTOWN DEVELOPMENT AUTHORITY
Management's Discussion and Analysis
For the Year Ended June 30, 2005

The chart below compares current year expenditures with prior year.

	<u>2005</u>	<u>2004</u>
<i>Expenditures by Function</i>		
General government	\$ 15,611	\$ 44,754
Community promotion	81,109	59,858
Community improvements	445	239,975
Debt service	<u>52,175</u>	<u>147,699</u>
 Total	 <u>\$ 149,340</u>	 <u>\$ 492,286</u>

Expenditures are down by \$342,946 or 70% over the prior year mostly due to the completion of the US-10 Streetscape project, the payoff of the 1994 General Obligation bonds in the prior year and a decrease in other capital project expenses.

General Fund Budgetary Highlights

Over the course of the year, the Authority revises its budget to reflect changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the Authority's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. There were no changes to the General Fund original budget.

The differences between the budget and actual amounts are as follows:

- Actual revenues were less than budgeted revenue by \$14,070. The shortfall is due to the collection of fewer Downtown Musical contributions in the fiscal year. This tends to happen with the fiscal year ending June 30 and the Musical not beginning until June 1 and continuing on throughout the summer. The receipts will be collected during the 2005-2006 fiscal year.
- Actual expenditures exceeded the budgeted expenditures by \$3,281. The difference is due to an increase in community promotion expenditures, specifically for the Downtown Musical.

CITY OF EVART – DOWNTOWN DEVELOPMENT AUTHORITY
Management's Discussion and Analysis
For the Year Ended June 30, 2005

Capital Assets

At June 30, 2005, the Authority had \$58,473 invested in a broad range of capital assets, including land, buildings, furniture, and equipment. There were no additions to capital assets during the current year.

	<u>2005</u>	<u>2004</u>
Land	\$ 11,100	\$ 11,100
Building improvements	62,000	62,000
Furniture and fixtures	<u>9,000</u>	<u>9,000</u>
Total capital assets	82,100	82,100
Less accumulated depreciation	<u>23,627</u>	<u>21,236</u>
Net capital assets	<u><u>\$ 58,473</u></u>	<u><u>\$ 60,864</u></u>

We anticipate no major changes in capital assets in the upcoming fiscal year. We present more detailed information about our capital assets in the notes to the financial statements.

Debt

At the end of this year, the Authority had \$295,000 in long-term debt outstanding versus \$335,000 in the previous year – a change of 12%. This long-term debt consisted of the following:

	<u>2005</u>	<u>2004</u>
Bonds	<u><u>\$ 295,000</u></u>	<u><u>\$ 335,000</u></u>

CITY OF EVART – DOWNTOWN DEVELOPMENT AUTHORITY

Management's Discussion and Analysis

For the Year Ended June 30, 2005

Factors Expected to Have an Effect on Future Operations

We expect to see a decline in property tax revenue next year as the tax base continues to be adjusted downward. We will need to adjust Authority expenditures in response to any revenue shortfall.

Requests For Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the City of Evart - Downtown Development Authority. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

City of Evart - Downtown Development Authority
127 N. River Street
Evart, MI 49631

CITY OF EVART - DOWNTOWN DEVELOPMENT AUTHORITY
Statement of Net Assets
June 30, 2005

	<u>Governmental Activities</u>
<u>Assets</u>	
Cash and cash equivalents	\$ 176,564
Receivables:	
Special assessments	21,322
Bond issuance costs less accumulated amortization of \$2,005	8,455
Discount on bonds less accumulated amortization of \$140	513
Capital assets less accumulated depreciation of \$23,627	<u>58,473</u>
Total assets	<u>265,327</u>
<u>Liabilities</u>	
Accounts payable	5,776
Deferred revenue	21,322
Due to Local Development Finance Authority	111,687
Accrued interest payable	1,914
Long-term liabilities:	
Due within one year	45,000
Due in more than one year	<u>250,000</u>
Total liabilities	<u>435,699</u>
<u>Net Assets</u>	
Investment in capital assets	58,473
Restricted for debt service	36,261
Unrestricted	<u>(265,106)</u>
Total net assets	<u>\$ (170,372)</u>

See accompanying notes to financial statements

CITY OF EVART - DOWNTOWN DEVELOPMENT AUTHORITY
Statement of Activities
For the Year Ended June 30, 2005

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Governmental Activities</u>
		<u>Operating Grants/</u>	<u>Contributions</u>	<u>Net (Expense) Revenue and Change in Net Assets</u>
Governmental activities:				
General government	\$ 29,842	\$	0	\$ (29,842)
Community promotion	81,109		17,841	(63,268)
Community improvements	1,631		0	(1,631)
Interest on long-term debt	11,977		0	(11,977)
Total governmental activities	<u>\$ 124,559</u>	<u>\$</u>	<u>17,841</u>	<u>(106,718)</u>
General revenues:				
Taxes:				
Property taxes				91,322
Special assessments				15,800
Interest				2,396
Other				9
				<u>109,527</u>
Change in net assets				<u>2,809</u>
Net assets at the beginning of the year, as previously stated				(138,413)
Prior period adjustment				<u>(34,768)</u>
Net assets - beginning of year - restated				<u>(173,181)</u>
Net assets - end of year				<u>\$ (170,372)</u>

See accompanying notes to financial statements

CITY OF EVART - DOWNTOWN DEVELOPMENT AUTHORITY

Governmental Funds

Balance Sheet

June 30, 2005

	General	2003 Special Assessment Debt	Other Nonmajor Governmental Funds	Total
<u>Assets</u>				
Cash and cash equivalents	\$ 141,794	\$ 1	\$ 34,769	\$ 176,564
Receivables:				
Special assessments	0	0	21,322	21,322
Due from other funds	0	978	0	978
Discount on bonds net of amortization	0	0	513	513
 Total Assets	 <u>\$ 141,794</u>	 <u>\$ 979</u>	 <u>\$ 56,604</u>	 <u>\$ 199,377</u>
<u>Liabilities and Fund Balance</u>				
<u>Liabilities</u>				
Accounts payable	\$ 5,776	\$ 0	\$ 0	\$ 5,776
Deferred revenue	0	0	21,322	21,322
Due to other funds	978	0	0	978
Due to Local Development Finance Authority	 111,687	 0	 0	 111,687
 Total liabilities	 <u>118,441</u>	 <u>0</u>	 <u>21,322</u>	 <u>139,763</u>
<u>Fund Balance</u>				
Reserved for debt service	0	979	35,282	36,261
Unreserved:				
Undesignated	23,353	0	0	23,353
 Total fund balance	 <u>23,353</u>	 <u>979</u>	 <u>35,282</u>	 <u>59,614</u>
 Total Liabilities and Fund Balance	 <u>\$ 141,794</u>	 <u>\$ 979</u>	 <u>\$ 56,604</u>	 <u>\$ 199,377</u>

See accompanying notes to financial statements

CITY OF EVART - DOWNTOWN DEVELOPMENT AUTHORITY
Reconciliation of Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2005

Total fund balance - governmental funds	\$ 59,614
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	
Cost of capital assets	82,100
Accumulated depreciation	(23,627)
Long-term liabilities are not due and payable in the current period and are not reported in the funds:	
Bonds payable	(295,000)
Other assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds	
Bond issuance costs	10,460
Accumulated amortization	(2,005)
Accrued interest expense is not included as a liability in governmental activities	<u>(1,914)</u>
Total net assets - governmental activities	<u><u>\$ (170,372)</u></u>

See accompanying notes to financial statements

CITY OF EVART - DOWNTOWN DEVELOPMENT AUTHORITY
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2005

	General	2003 Special Assessment Debt	Other Nonmajor Governmental Funds	Totals
<u>Revenues</u>				
Local sources:				
Property taxes	\$ 88,459	\$ 0	\$ 0	\$ 88,459
State education taxes	2,863	0	0	2,863
Special assessments	0	0	15,800	15,800
Interest	1,858	0	538	2,396
Downtown Musical donations	10,741	0	0	10,741
Arts Council grants	7,100	0	0	7,100
Other	9	0	0	9
Total revenues	<u>111,030</u>	<u>0</u>	<u>16,338</u>	<u>127,368</u>
<u>Expenditures</u>				
Operating:				
General government	15,611	0	0	15,611
Community promotion	81,109	0	0	81,109
Community improvements	445	0	0	445
Debt service:				
Principal	0	25,000	15,000	40,000
Interest and fees	0	8,663	3,372	12,035
Bond discount amortization	0	0	140	140
Total expenditures	<u>97,165</u>	<u>33,663</u>	<u>18,512</u>	<u>149,340</u>
Excess (deficiency) of revenues over expenditures	<u>13,865</u>	<u>(33,663)</u>	<u>(2,174)</u>	<u>(21,972)</u>
<u>Other Financing Sources (Uses)</u>				
Operating transfers from other funds	0	34,641	0	34,641
Transfers to other governmental units	(11,840)	0	0	(11,840)
Operating transfers to other funds	(33,663)	0	(978)	(34,641)
Total other financing sources (uses)	<u>(45,503)</u>	<u>34,641</u>	<u>(978)</u>	<u>(11,840)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>(31,638)</u>	<u>978</u>	<u>(3,152)</u>	<u>(33,812)</u>
Fund balance at beginning of year, as previously stated	89,759	1	38,434	128,194
Prior period adjustment	(34,768)	0	0	(34,768)
Fund balance - beginning of year - restated	<u>54,991</u>	<u>1</u>	<u>38,434</u>	<u>93,426</u>
Fund balance - end of year	<u>\$ 23,353</u>	<u>\$ 979</u>	<u>\$ 35,282</u>	<u>\$ 59,614</u>

See accompanying notes to financial statements

CITY OF EVART - DOWNTOWN DEVELOPMENT AUTHORITY
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2005

Net change in fund balance - total governmental funds	\$ (33,812)
Amounts reported for governmental activities in the statement of activities are different because:	
Repayment of the bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	
Repayment of bonds	40,000
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	
Amortization expense	(1,046)
Depreciation expense	(2,391)
Interest expense is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid	<u>58</u>
Change in net assets of governmental activities	<u><u>\$ 2,809</u></u>

See accompanying notes to financial statements

CITY OF EVART – DOWNTOWN DEVELOPMENT AUTHORITY
Notes to Financial Statements
For the Year Ended June 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Evart - Downtown Development Authority conform to U.S. generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Evart - Downtown Development Authority:

Reporting Entity

On July 29, 1984, the City Council of the City of Evart, Osceola County, Michigan, established a Downtown Development Authority (Authority) to provide necessary infrastructure services to the downtown area, to create a positive surrounding, and to promote and attract additional business growth within the Downtown Development Authority boundaries. The life of the Authority is thirty years, after which time all assets acquired revert back to the City of Evart. The agreement was amended June 10, 1993, to extend the life of the Authority to the year 2023. The Authority is a component unit of the City of Evart.

The Authority is governed by a nine-member appointed board.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. The effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

CITY OF EVART – DOWNTOWN DEVELOPMENT AUTHORITY
Notes to Financial Statements
For the Year Ended June 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue in the current fiscal period. All other revenue items are considered to be available only when cash is received by the Authority.

The Authority reports the following major governmental funds:

General Fund – This fund is the general operating fund of Authority. It is used to account for all financial transactions except those required to be accounted for in another fund.

2003 Special Assessment Debt Fund – This fund is used to account for the accumulated resources for, and the payment of, general long-term principal, interest and related costs.

CITY OF EVART – DOWNTOWN DEVELOPMENT AUTHORITY
Notes to Financial Statements
For the Year Ended June 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Net Assets or Equity

Cash and Investments – Cash and investments are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Capital Assets – Capital assets, which include land, buildings, furniture and fixtures are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the Authority as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of 5 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add value or materially extend asset lives are not capitalized.

Buildings and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 Years
Building improvements	15 to 20 Years
Furniture and fixtures	5 to 20 Years

Long-term Obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period.

CITY OF EVART – DOWNTOWN DEVELOPMENT AUTHORITY
Notes to Financial Statements
For the Year Ended June 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates – The process of preparing the basic financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

CITY OF EVART – DOWNTOWN DEVELOPMENT AUTHORITY
Notes to Financial Statements
For the Year Ended June 30, 2005

NOTE 2 - BUDGETS

The State of Michigan adopted a Uniform Budgeting and Accounting Act (Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for the General Fund prior to the expenditure of monies in a fiscal year.

The Authority follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The Authority's Project Consultant submits to the Board a proposed budget prior to July 1 of each year. The budget includes proposed expenditures and the means of financing them.
2. Budgeted amounts are as originally adopted, or as amended, by the Board throughout the year. Individual amendments were not material in relation to the original appropriations. Budgets are adopted to the functional level.
3. Appropriations lapse at year end and therefore cancel all encumbrances. These appropriations are re-established at the beginning of the following year.

During the year ended June 30, 2005, the Authority incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated as follows:

<u>Fund/Function</u>	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
General Fund:			
Community promotion	\$ 63,300	\$ 81,109	\$ (17,809)

CITY OF EVART – DOWNTOWN DEVELOPMENT AUTHORITY
Notes to Financial Statements
For the Year Ended June 30, 2005

NOTE 3 – DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rates within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. The Authority's deposits are in accordance with statutory authority.

At year-end, the Authority's deposits were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>
Cash and cash equivalents	<u>\$ 176,564</u>

Custodial Credit Risk- Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. As of June 30, 2005, \$82,860 of the Authority's bank balance of \$182,860 was exposed to custodial credit risk.

The Authority's investment policy does not identify interest rate risk, foreign currency risk or concentration credit risk.

The Authority has no investments as of June 30, 2005.

CITY OF EVART – DOWNTOWN DEVELOPMENT AUTHORITY

Notes to Financial Statements For the Year Ended June 30, 2005

NOTE 4 – CAPITAL ASSETS

Capital asset activity of the Authority for the current year was as follows:

	Balance July 1, 2004	Additions	Disposals and Adjustments	Balance June 30, 2005
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 11,100	\$ 0	\$ 0	\$ 11,100
Capital assets being depreciated:				
Buildings	50,000	0	0	50,000
Building improvements	12,000	0	0	12,000
Furniture and fixtures	9,000	0	0	9,000
Subtotal	71,000	0	0	71,000
Less accumulated depreciation for:				
Buildings	10,000	1,250	0	11,250
Building improvements	3,586	691	0	4,277
Furniture and fixtures	7,650	450	0	8,100
Subtotal	21,236	2,391	0	23,627
Net capital assets being depreciated	49,764	(2,391)	0	47,373
Governmental Activities, Total				
Capital Assets - Net of Depreciation	<u>\$ 60,864</u>	<u>\$ (2,391)</u>	<u>\$ 0</u>	<u>\$ 58,473</u>

Depreciation expense was charged to programs of the Authority as follows:

Governmental Activities:

 General government \$ 2,391

CITY OF EVART – DOWNTOWN DEVELOPMENT AUTHORITY
Notes to Financial Statements
For the Year Ended June 30, 2005

NOTE 5 – INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

A summary of interfund receivables and payables and interfund transfers at June 30, 2005 is as follows:

<u>Fund</u>	<u>Payables</u>	<u>Receivables</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 0	\$ 978	\$ 0	\$ 33,663
Debt service	978	0	34,641	978
	<u>\$ 978</u>	<u>\$ 978</u>	<u>\$ 34,641</u>	<u>\$ 34,641</u>

Interfund balances and transfers are used to support funding for debt service.

NOTE 6 – LONG-TERM DEBT

Long-term debt activity is summarized as follows:

	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Retirements and Adjustments</u>	<u>Balance June 30, 2005</u>	<u>Amount Due Within One Year</u>
Bonds	<u>\$ 335,000</u>	<u>\$ 0</u>	<u>\$ 40,000</u>	<u>\$ 295,000</u>	<u>\$ 45,000</u>

Bonds payable at June 30, 2005 is comprised of the following issues:

\$150,000 Special Assessment Bonds due in annual installments of \$15,000 through November 1, 2007, interest at 5.0% to 5.5%	\$ 45,000
\$300,000 General Obligation Bonds due in annual installments of \$25,000 to \$35,000 through May 1, 2013, interest at of 3.15%	<u>250,000</u>
Total Bonded Debt	<u>\$ 295,000</u>

CITY OF EVART – DOWNTOWN DEVELOPMENT AUTHORITY
Notes to Financial Statements
For the Year Ended June 30, 2005

NOTE 6 – LONG-TERM DEBT (CONTINUED)

The annual requirements to amortize bonds outstanding as of June 30, 2005 including interest payments are as follows:

<u>Year End June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 45,000	\$ 9,908	\$ 54,908
2007	45,000	8,161	53,161
2008	45,000	6,398	51,398
2009	30,000	5,040	35,040
2010	30,000	4,095	34,095
2011-2013	<u>100,000</u>	<u>6,457</u>	<u>106,457</u>
Total	<u>\$ 295,000</u>	<u>\$ 40,059</u>	<u>\$ 335,059</u>

NOTE 7 – RISK MANAGEMENT

The Authority is exposed to various risks of loss related to property loss, torts and errors and omissions. The Authority has purchased commercial insurance for claims relating to general liability and property/casualty claims. Settled claims relating to the commercial insurance did not exceed the amount of insurance coverage in any of the past three fiscal years.

NOTE 8 – ECONOMIC DEPENDENCY

The Authority received approximately 52% of their property tax revenue from one taxpayer. Due to the significance of this revenue source to the Authority, the Authority is considered to be economically dependent.

NOTE 9 – PRIOR PERIOD ADJUSTMENT

Beginning net assets/fund balance were reduced by \$34,768 for a correction to 2004 accounts receivable.

Required Supplementary Information

CITY OF EVART - DOWNTOWN DEVELOPMENT AUTHORITY

Required Supplemental Information Budgetary Comparison Schedule - General Fund For the Year Ended June 30, 2005

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>
<u>Revenues</u>			
Local sources:			
Property taxes	\$ 87,800	\$ 87,800	\$ 88,459
State education taxes	3,300	3,300	2,863
Interest	2,000	2,000	1,858
Downtown Musical donations	20,000	20,000	10,741
Arts Council grants	12,000	12,000	7,100
Other	0	0	9
Total revenues	<u>125,100</u>	<u>125,100</u>	<u>111,030</u>
<u>Expenditures</u>			
Operating:			
General government	22,732	22,732	15,611
Community promotion	63,300	63,300	81,109
Community improvements	5,000	5,000	445
Capital outlay	2,852	2,852	0
Total expenditures	<u>93,884</u>	<u>93,884</u>	<u>97,165</u>
Excess (deficiency) of revenues over expenditures	<u>31,216</u>	<u>31,216</u>	<u>13,865</u>
<u>Other Financing (Uses)</u>			
Transfers to other governmental units	0	0	(11,840)
Operating transfers out to other funds	(15,000)	(15,000)	(33,663)
Total other financing (uses)	<u>(15,000)</u>	<u>(15,000)</u>	<u>(45,503)</u>
Excess (deficiency) of revenues over expenditures and other financing uses	<u>16,216</u>	<u>16,216</u>	<u>(31,638)</u>
Fund balance at beginning of year, as previously stated	89,759	89,759	89,759
Prior period adjustment	(34,768)	(34,768)	(34,768)
Fund balance - beginning of year	<u>54,991</u>	<u>54,991</u>	<u>54,991</u>
Fund balance - end of year	<u>\$ 71,207</u>	<u>\$ 71,207</u>	<u>\$ 23,353</u>

Other Supplementary Information

CITY OF EVART - DOWNTOWN DEVELOPMENT AUTHORITY

Other Supplemental Information

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2005

	Debt Service Funds				Total
	Trowbridge Land Acquisition Bonds	1993 Special Assessment Bonds	1993 Downtown Development Bonds	1994 Downtown Development Bonds	
<u>Assets</u>					
Cash and cash equivalents	\$ 7,192	\$ 27,577	\$ 0	\$ 0	\$ 34,769
Special assessments receivable	0	21,322	0	0	21,322
Discount on bonds net of amortization	0	513	0	0	513
Total Assets	<u>\$ 7,192</u>	<u>\$ 49,412</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 56,604</u>
<u>Liabilities and Fund Balance</u>					
<u>Liabilities</u>					
Deferred revenue	\$ 0	\$ 21,322	\$ 0	\$ 0	\$ 21,322
<u>Fund Balance</u>					
Reserved for debt service	<u>7,192</u>	<u>28,090</u>	<u>0</u>	<u>0</u>	<u>35,282</u>
Total Liabilities and Fund Balance	<u>\$ 7,192</u>	<u>\$ 49,412</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 56,604</u>

CITY OF EVART - DOWNTOWN DEVELOPMENT AUTHORITY
 Other Supplemental Information
 Combining Statement of Revenues, Expenditures,
 and Changes in Fund Balance - Nonmajor Governmental Funds
For the Year Ended June 30, 2005

	Debt Service Funds				
	Trowbridge	1993	1993	1994	
	Land	Special	Downtown	Downtown	
	Acquisition	Assessment	Development	Development	
	Bonds	Bonds	Bonds	Bonds	Total
<u>Revenues</u>					
Local sources:					
Special Assessments	\$ 0	\$ 15,800	\$ 0	\$ 0	\$ 15,800
Interest	105	433	0	0	538
Total revenues	105	16,233	0	0	16,338
<u>Expenditures</u>					
Debt service:					
Principal payments	0	15,000	0	0	15,000
Interest and fees	0	3,372	0	0	3,372
Bond discount amortization	0	140	0	0	140
Total expenditures	0	18,512	0	0	18,512
Excess (deficiency) of revenues over expenditures	105	(2,279)	0	0	(2,174)
<u>Other Financing Uses</u>					
Operating transfers to other funds	0	0	(968)	(10)	(978)
Excess (deficiency) of revenues over expenditures and other financing uses	105	(2,279)	(968)	\$ (10)	(3,152)
Fund balance - beginning of year	7,087	30,369	968	10	38,434
Fund balance - end of year	<u>\$ 7,192</u>	<u>\$ 28,090</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 35,282</u>

CITY OF EVART - DOWNTOWN DEVELOPMENT AUTHORITY
Schedule of Bonded Indebtedness
1993 Special Assessment Bonds
For the Year Ended June 30, 2005

PURPOSE The purpose of the 1993 Special Assessment Bonds was for the acquisition, construction and installation of certain water, storm sewer and street reconstruction, parking, sidewalk, street lighting and streetscape improvements.

DATE OF ISSUE September 1, 1993

AMOUNT OF ISSUE \$150,000

<u>AMOUNT RETIRED</u>			
During prior years	\$	90,000	
During current year		<u>15,000</u>	<u>105,000</u>

<u>BALANCE OUTSTANDING - June 30, 2005</u>		<u>\$</u>	<u>45,000</u>
--------------------------------------------	--	-----------	---------------

<u>Fiscal Year</u>	<u>Interest Rate</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	5.30%	\$ 15,000	\$ 2,033	\$ 17,033
2007	5.40%	15,000	1,231	16,231
2008	5.50%	<u>15,000</u>	<u>413</u>	<u>15,413</u>
		<u>\$ 45,000</u>	<u>\$ 3,677</u>	<u>\$ 48,677</u>

CITY OF EVART - DOWNTOWN DEVELOPMENT AUTHORITY
Schedule of Bonded Indebtedness
2003 General Obligation Bonds
For the Year Ended June 30, 2005

PURPOSE The purpose of the 2003 general obligation bond is to pay the cost of certain improvements, including the acquisition and construction of streetscape improvements on US-10 and on side streets intersecting US-10.

DATE OF ISSUE July 30, 2003

AMOUNT OF ISSUE \$300,000

AMOUNT RETIRED

During prior years	\$ 25,000	
During current year	<u>25,000</u>	<u>50,000</u>

BALANCE OUTSTANDING - June 30, 2005 \$ 250,000

<u>Fiscal Year</u>	<u>Interest Rate</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	3.15%	\$ 30,000	\$ 7,875	\$ 37,875
2007	3.15%	30,000	6,930	36,930
2008	3.15%	30,000	5,985	35,985
2009	3.15%	30,000	5,040	35,040
2010	3.15%	30,000	3,623	33,623
2011	3.15%	30,000	1,654	31,654
2012	3.15%	35,000	3,622	38,622
2013	3.15%	<u>35,000</u>	<u>1,654</u>	<u>36,654</u>
		<u><u>\$ 250,000</u></u>	<u><u>\$ 36,383</u></u>	<u><u>\$ 286,383</u></u>